THE BUDGET at a **Glance**

2007 2008 | MAY 2007 BUDGET

The first budget I am tabling as Minister of Finance is guided by a commitment to discipline and transparency. It addresses the challenges of today's Québec. It is an investment in our children's future.

Our budget contains well-defined priorities, laid out in six points.

— First, we are recognizing the value of work by reducing taxes for the middle class.

— Second, by gradually eliminating the tax on capital, we are promoting private investment to create jobs in all regions.

— Third, we are renovating our schools and hospitals and repairing our roads.

— Fourth, we are making a determined effort to pay down the debt.

— Fifth, we are making our administration a model of transparency.

— Sixth, we are continuing to modernize government and refocus it on its fundamental missions—health and education.

With this approach, we are addressing the main priorities of Quebecers. We are not only preparing our children's future, but also improving the quality of life of their parents and grandparents.

With this budget, we are changing the course of things. We are taking up the most demanding challenges in order to ensure ourselves a better life and to leave our children the legacy of a more prosperous future.

In short, this budget is a budget of hope.

Monique JÉRÔME-FORGET

Minister of Finance
Minister of Government Services
Minister responsible
for Government Administration
Chair of the Conseil du trésor

DISCIPLINE AND TRANSPARENCY

GENERAL TAX REDUCTION

$950 million

INVESTMENT AND EMPLOYMENT

Elimination of the tax on capital

Support for the manufacturing sector

RENOVATION OF SCHOOLS, HOSPITALS AND ROADS

$30 billion for infrastructure

REDUCTION OF THE DEBT

Deposits in the Generations Fund

MANAGEMENT OF QUEBECERS' MONEY

Improvement of government accounting

MODERNIZATION OF GOVERNMENT

More funding for health and education

Disciplined management

Refocusing the government on its fundamental missions

Québec

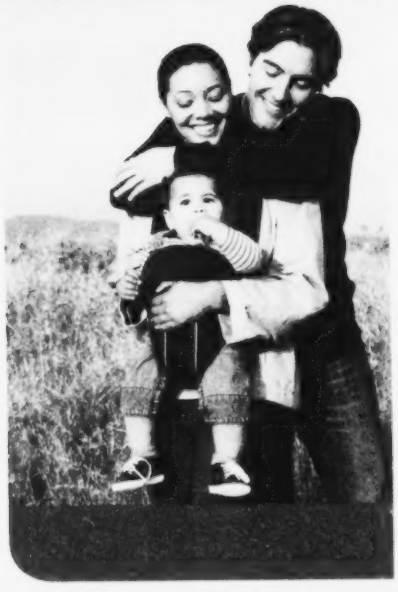
THE BUDGET at a Glance

FOR A QUÉBEC THAT IS COMPETITIVE IN NORTH AMERICA

This year, eight other Canadian provinces reduced their taxes.

Progress is being made in regard to the goal of reducing Quebecers' taxes to the Canadian average.

Thanks to this budget, only four provinces will have lower income tax than Québec.



1 Recognizing the value of work by reducing taxes

Lowering taxes is necessary to:

- adequately reward Quebecers' efforts;
- raise the standard of living of families;
- encourage skilled workers to live and work in Québec;
- encourage businesses to invest in Québec.

More money for the middle class

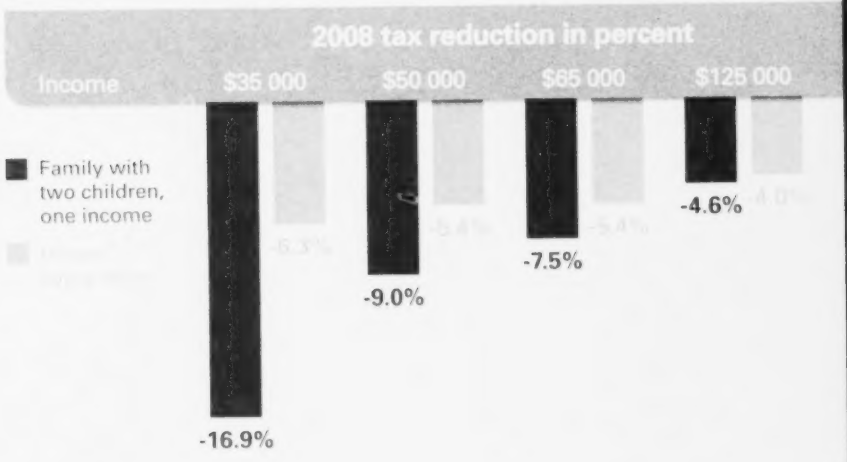
A GENERAL TAX REDUCTION OF $950 MILLION AS OF JANUARY 1, 2008

25% increase in the income thresholds of the tax table.

$275-increase in the basic amount.

A gain of up to nearly $2 000 for a family of two adults and two children.

A gain of up to nearly $1 000 for a person living alone.



2 Promoting investment and employment

QUÉBEC'S ECONOMY IS HEALTHY

Real business investment: increase of 33% since 2003.

Construction of new housing: 52 000 units per year over the past four years.

Unemployment rate: 7.2% in April, the lowest level in 32 years.

Job creation:

- 108 300 new jobs over the past 12 months;
- 29% of the Canadian total.

Eliminating the tax on capital

FULL ELIMINATION OF THE TAX ON CAPITAL AFTER DECEMBER 31, 2010

The tax with the most harmful impact on investment and employment is being eliminated.

- For all Québec businesses, regardless of their activity sector.

FOR THE MANUFACTURING SECTOR

To give the manufacturing sector the means to cope with foreign competition.

- Enhancement of capital cost allowances.
- Until the tax on capital is fully eliminated, increase in the tax credit for new investments.

THE BUDGET at a Glance

REDUCING THE ADMINISTRATIVE BURDEN OF OUR BUSINESSES

Reduction of close to 20% in the administrative procedures of small businesses

AS OF NOW, MANUFACTURING BUSINESSES THAT INVEST NO LONGER HAVE TO PAY THE TAX ON CAPITAL

THE BUDGET at a **Glance**

3 For our schools, hospitals and roads

$30 BILLION INVESTED OVER THE NEXT FIVE YEARS

- To eliminate the maintenance backlog in our hospitals, schools and roads.
- To maintain our assets.
- To establish new infrastructure.
- A detailed plan will be revealed in the fall.

Promising projects

FOR HEALTH

- Creation of 1 000 new spaces in long-term care centres.
- Improvement of 3 000 others by reducing the number of beds per room.

FOR EDUCATION

- Renovation of our schools.
- Improvement of equipment.

FOR CULTURE

- A new wing for the Musée national des beaux-arts du Québec.

FOR HOUSING

- Quality social housing.

FOR SAFETY

- More modern water treatment plants, water supply systems and sewers.
- Safer courthouses.
- Improved prison infrastucture.

FOR RESEARCH

- Better scientific research infrastructure.

FOR TRANSPORTATION

PUBLIC TRANSIT

- Northeastern commuter train service in Montréal.
- The Rapibus in Gatineau.

ROAD SYSTEM

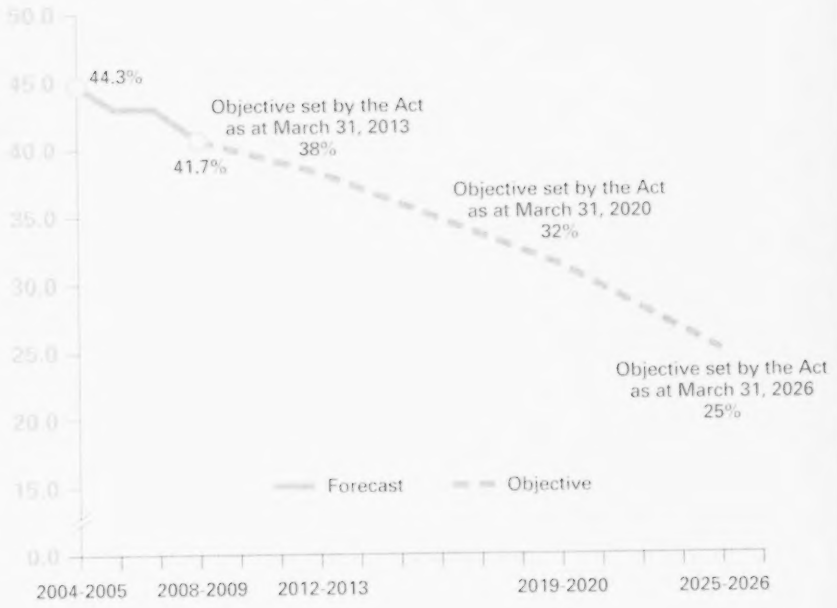
- Highway 175 between Saguenay and Québec City.
- Autoroute 30 in the Montérégie region.
- Autoroute 73 in the Beauce.
- Highway 185 in the Bas-Saint-Laurent region.

4 Making a determined effort to pay down the debt

ACCELERATION OF DEPOSITS IN THE GENERATIONS FUND

- Additional deposit of $200 million thanks to the outstanding results of Hydro-Québec.
  - — Over and above the $500 million deposited in February 2007.
- An extra $400 million per year, on average, derived from revenue from Hydro-Québec's electricity exports between 2010 and 2025.
- These sums are in addition to the water-power royalties paid every year.
- By March 31, 2026, nearly $42 billion will have been devoted to paying down the debt.
  - — Nearly half the debt accumulated over the past 30 years to fund current expenditures will have been repaid.

Reduction targets for total government debt



AS AT MARCH 31, 2009, THE GENERATIONS FUND WILL TOTAL NEARLY $2 BILLION

"Let's bank on our blue gold to leave our children a Québec in better financial health".

Monique Jérôme-Forget

THE BUDGET at a **Glance**

"I want Quebecers to have confidence in the way in which we manage their money".

Monique Jérôme-Forget

5 Making our administration a model of transparency

The Auditor General has commented on the government's financial statements.

The government is taking appropriate action.

AGREEMENT WITH THE AUDITOR GENERAL

- Joint examination of government accounting.
  - — Objective: a major reform.
- Once the work is completed, orderly integration of the following institutions into the government's reporting entity:
  - — hospitals;
  - — school boards;
  - — CEGEPS.
- A number of adjustments to the government's accounting practices in effect as of the next budget.

IMPLEMENTATION OF THE ACT RESPECTING THE GOVERNANCE OF STATE-OWNED ENTERPRISES

The government has taken steps that demonstrate the importance it attaches to discipline and transparency.

The new *Act respecting the governance of state-owned enterprises* is one example. It gives more powers to the Auditor General:

- As of 2007-2008, joint auditing of the:
  - — Société des alcools du Québec;
  - — Société générale de financement.
- As of 2008-2009, auditing of the:
  - — Régie des installations olympiques;
  - — Société des établissements de plein air du Québec;
  - — Agence métropolitaine de transport.

6 Continuing to modernize government

DISCIPLINED MANAGEMENT

- Spending growth limited to:
  - 3.9% in 2007-2008.
- The zero deficit is maintained.
- Major reinvestment in the government's fundamental missions—health and education.

Health: still the priority

- Increase of close to $1.4 billion in the health budget in 2007-2008:
  - nearly 45% of the government's program spending.
- These new investments will make it possible to:
  - cover costs related to population aging, new technologies and new drugs;
  - enter the era of guaranteed access to health care;
  - pursue the five-year action plan to better support people losing their autonomy, particularly seniors;
  - open 300 new convalescence spaces to continue improving the situation in emergency rooms.

ADEQUATE FUNDING FOR HEALTH

- A task force, chaired by Claude Castonguay, will be set up to study:
  - how to ensure adequate funding for the health care system given the constant increase in costs;
  - how the private sector can support the public system while respecting its core values;
  - the changes that might have to be made to the *Canada Health Act*.

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EDUCATION: THE FUTURE OF QUÉBEC

Increase of $644 million in the education budget in 2007-2008.

These new investments will make it possible to:

- give priority to academic success for all students, including those experiencing difficulties;
- hire more professionals to assist students experiencing difficulties;
- improve the quality of instruction.

An investment plan for renovating our schools.

Introduction of an education savings plan to encourage parents to invest in their children's education.

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REDUCING THE SIZE OF GOVERNMENT

To date, modernization of the government has made it possible to save over a billion dollars, which has been redirected to health and education.

3 400 positions have been eliminated by attrition in Québec's public service since 2004:

- Replacement of one out of every two employees who retire.

3 800 more positions will be eliminated over the next three years.

Finances Québec

6 Continuing to modernize government

REFOCUSING THE GOVERNMENT ON ITS FUNDAMENTAL MISSIONS

- Privatization of five government services:
  - Centre de gestion des équipements roulants;
  - Centre de signalisation;
  - Réseau national intégré de radiocommunication (RENIR);
  - Fournitures et ameublement du Québec;
  - Reprographie gouvernementale.

Sale of SIQ buildings

- Three buildings owned by the Société immobilière du Québec will be put up for sale:
  - the building at 500, boulevard René-Lévesque Ouest, in Montréal;
  - Place Québec, in Québec City;
  - the building at 25, rue Saint-Amable, in Québec City.
- The sale of these three buildings will enable the Société immobilière du Québec to focus on its fundamental mission.
- The proceeds from the sale of these buildings will be deposited in the Generations Fund.

Legal deposit – Bibliothèque et Archives nationales du Québec
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